

is advocating a freeze. "The foundation of the defense budget is built on sand."

A Senate Armed Services subcommittee is scheduled to hold a hearing on the problems Tuesday. It will be chaired by Sen. John Glenn (Ohio), a Democrat, who was authorized by Republicans to conduct it because of his long-standing interest in the subject.

Among the problems detailed by the Defense Department, the Pentagon inspector general and the GAO:

Of the 36 Pentagon departments audited by the inspector general (IG) in the last year, 28 used "records in such terrible condition" as to make their annual financial statements—an accounting of money collected and money spent—utterly worthless, said Vander Schaaf.

Financial officials cannot account for \$14.7 billion in "unmatched disbursements," checks written for equipment and services purchased by all military units within the last decade. This means that accountants know only that a certain amount of money was spent on the overall F-16 jet account, for example, but not how much was spent on F-16 landing gear or pilot manuals because they cannot find a purchase order from the government to match the check.

"You don't know what you're really paying for," Vander Schaaf said.

The \$14.7 billion represents "hardcore problems" where department accountants have tried but failed to find the records. "We could be paying for something we don't need or want," said Russell Rau, the IG's director of financial management.

In the last eight years, various military offices appear to have ordered \$7 billion worth of goods and services in excess of the amount Congress has given to them to spend. These "negative unliquidated obligations" may indicate that a bill has been paid twice or mistakenly charged to the wrong account because bookkeepers at hundreds of maintenance depots, weapons program offices and military bases did not keep track of payments they made, said Vander Schaaf.

Of the \$7 billion "the government has no idea how much of this balance is still owed," Rau said.

Hamre has threatened to take part of the \$7 billion out of the military services' current operating budget if they cannot find documentation for the expenditures by June 1.

Every year the Defense Department pays private contractors at least \$500 million it does not owe them, according to Vander Schaaf. The GAO believes the figure is closer to \$750 million.

The payment system is in such bad shape that the Pentagon relies on contractors to catch erroneously calculated checks and return them. Many of the overpayments are due to errors made on a paper-based system in which harried clerks are judged by how quickly they make payments. And because there is no adequate way to track the amount of periodic payments made on a contract, businesses often are paid twice for the work they have done.

Defense Department finance officials believe they are recouping about 75 percent of the overpayments, although they admit they have no way of knowing exactly how much is being overpaid.

Today, after an 18-month struggle by Hamre to turn the situation around, the department still has 19 payroll systems and 200 different contracting systems.

Hamre, who wins praise from Republicans and Democrats for his efforts, has undertaken a major consolidation of payroll and contracting offices. He has opened more than 100 investigations into whether individual program managers or service agencies violated the law by using money appropriated

for one program for something else or for paying contracts that exceeded their budget.

He has frozen 23 major accounts and has stopped payment to 1,200 contractors whose records are particularly troublesome. In July, clerks will be prohibited from making payments over \$5 million to any contractor "unless a valid accounting record" of the contract can be found. By October, the amount drops to \$1 million, which means it will affect thousands more contracts.

According to Hamre and Rau, a number of cases are under investigation for possible violations of the Anti-Deficiency Act, the law that governs how congressionally appropriated money must be spent. Penalties range from disciplinary job action to criminal prosecution. Investigators are trying to determine:

Why there is an unauthorized expenditure of around \$1 billion on the Mark 50 torpedo, and the Standard and Phoenix missiles. Hamre and Rau suspect that Navy officials used money appropriated for other items or wrote checks on empty accounts to pay contracts from 1988 and 1992.

Whether Air Force officials used money from various weapons programs to build a golf course at Wright-Patterson Air Force Base in Ohio beginning in 1987.

What happened when some programs ran out of money. "There are some [cases] in the Air Force now that really stink," Hamre said. When money for the Advanced Cruise Missile ran out, Air Force officials simply terminated the existing contract and rewrote another, more expensive one the following day, Pentagon investigators recently concluded. In order to pay for cost overruns associated with the new C-17 cargo plane, contract officials simply reclassified \$101 million in development costs as production costs.

Hamre said the services allowed such money mingling to go on partly because of the complexity of the yearly congressional appropriations process. "People want to find an easier way to get the job done," he said. "They are trying to get some flexibility in a very cumbersome system."

But, he added, some services also have resisted correcting problems and punishing wrongdoers. "I'm very frustrated by it," he said. "In the past, they just waited until people retired. It was the old boy network covering for people."

The Defense Department is unlike any government agency in scope and size. It sends out \$35 million an hour in checks for military and civilian employees from its main financing office in Columbus, Ohio. And it buys everything from toothbrushes to nuclear submarines; about \$380 billion flows within the various military purchasing bureaucracies and out to the private sector each year.

It takes at least 100 paper transactions among dozens of organizations to buy a complex weapons system. Some supply contracts have 2,000 line items and, because of the congressional appropriations process, must be paid for by money from several different pots.

Fixing the problems without throwing the entire system into chaos, Hamre said, "is like changing the tire on a car while you're driving 60 miles per hour."

But some argue it has never been more important to make the fixes quickly.

"Here we are in a period of reduced spending, it's critically important today that we get a bigger bang for the buck," said Sen. William V. Roth Jr. (R-Del.), chairman of the Government Affairs Committee, where many of the current problems were first revealed. "We've got to put pressure on to expedite it. At best, it will take too long."

But in the world of Defense Department financing, time is not always a solution, as one small example illustrates.

In 1991, because of a computer programming error, the department's finance and accounting service centers erroneously paid thousands of Desert Storm reservists \$80 million they were not owed. When officials realized the mistake, they began to send letters to service members to recoup the overpayments. Many veterans complained to Congress, which then prohibited the Pentagon from collecting any overpayment of less than \$2,500 and made it give back money collected from people who received less than that amount.

To comply, the Defense Finance and Accounting Service (DFAS) payment centers in Cleveland, Denver, Indianapolis and Kansas City created new computer programs to cancel the debts and issue refunds. But they did not adequately test the new programs, IG and GAO investigators found.

As a result, the appropriate debts were not canceled, and improper amounts of refunds were issued, often to the wrong service member. The DFAS center in Denver, for example, canceled \$295,000 that service members owed it for travel advances. In all, the botched effort to follow Congress's direction cost taxpayers an additional \$15 million, Pentagon officials said.

"It isn't possible now" to recoup the money, Hamre said. "We can't reconstruct the records. We admit were really, really bad. We won't do it again." The IG's office has agreed that it would be too costly to reconstruct the records and recoup the loss.

As he often does when he testifies about these matters on Capitol Hill, Hamre confessed to the Senate Armed Services Committee recently: "We've made a lot of progress. Boy, we've got a long way to go."

RECESS

The SPEAKER pro tempore. Pursuant to clause 12 of rule I, the Chair declares the House in recess subject to the call of the Chair.

Accordingly (at 12 o'clock and 36 minutes p.m.), the House stood in recess subject to the call of the Chair.

□ 1243

AFTER RECESS

The recess having expired, the House was called to order by the Speaker pro tempore [Mr. WELLER] at 12 o'clock and 43 minutes p.m.

PROVIDING FOR CONSIDERATION OF H.R. 614, THE NEW LONDON NATIONAL FISH HATCHERY CONVEYANCE ACT

Mrs. WALDHOLTZ. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 146 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 146

Resolved, That at any time after the adoption of this resolution the Speaker may, pursuant to clause 1(b) of rule XXIII, declare the House resolved into the Committee of the Whole House on the state of the Union for consideration of the bill (H.R. 614) to direct the Secretary of the Interior to convey to the State of Minnesota the New London National Fish Hatchery production facility.